

HOUSING DEVELOPMENT

The primary mission of the Department of Housing and Community Development (HCD) is to act as the development and administrative agency for the Fairfax County Redevelopment and Housing Authority (FCRHA) and the Board of Supervisors in meeting the housing and community development needs of the County's low and moderate income residents. HCD functions as staff to the eleven-member FCRHA board. Programs discussed and projects identified in this section of the CIP are undertaken by the Development and Real Estate Finance Division of this agency to provide low and moderate income housing units.

HOUSING ISSUES

The need for housing assistance is well documented by HCD. A report on "The Need for Affordable Housing" was completed in September 1988 and was the basis for A Strategic Plan for Affordable Housing adopted by the FCRHA in November 1989 and by the Board of Supervisors in February 1991. In November 2001, the FCRHA adopted a Strategic Plan which includes its mission, strategic goals, and shared values. The National Affordable Housing Act of 1990 required the development of a five-year Comprehensive Housing Affordability Strategy (CHAS). In 1995, the U.S. Department of Housing and Urban Development (HUD) issued regulations which combined the needs assessment and strategic planning elements of the CHAS with the annual funding applications for four programs: the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Emergency Shelter (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs. The County's first Consolidated Plan was approved by the Board in April 1995 to be effective July 1, 1995, for fiscal years 1996-2000, with annual updates to the One Year Action Plan for use of funds in each fiscal year. A new Five-Year Consolidated Plan for FY 2001-2005 was approved by the Board in March 2000. The current action plan for FY2002 was approved by the Board in April 2001.

The 1990 U.S. Census revealed that there were more than 47,000 households in Fairfax County earning less than \$30,000 per year, with

nearly half (over 23,000) of these earning less than \$20,000 per year. For this lowest income group, the gap in affordable housing units (difference between supply and potential demand) was almost 15,000 units. For the 58,500 low income households that earned between \$30,000 and \$47,500 per year, approximately 51%-80% of the County median in 1990, the affordable housing gap was more than 7,600 units. The 62,000 moderate income households with earnings from \$47,500 to \$56,000 per year (81%-95% of the 1990 County median income), who were potential home buyers, faced an affordable housing gap of some 21,000 units. The Consolidated Plan identifies affordable housing priorities and lists goals and objectives for producing and preserving affordable units, preventing homelessness, and addressing special housing needs. The production goal stated in the County's Comprehensive Plan is reiterated as an objective for affordable housing production.

The FCRHA, as of October, 2001, owns 2,497 residential units for low and moderate income families and individuals, and 176 beds for individuals in supportive housing programs. The FCRHA also owns a twelve-acre site with 115 foundations for mobile homes. In addition, housing assistance payments are made available to over 3,095 households under the Federal Section 8 Housing Choice Voucher program for privately owned existing housing and the Housing Opportunities for Persons with AIDS (HOPWA) program. This number includes a total of 36 households assisted through the HOPWA program.

The lack of units affordable to low and moderate income households is greatly exacerbated by the dwindling number of developments still obligated by federal financing programs to provide housing for low to moderate income residents. The Federal 221(d)(3) and 236 programs provided mortgage insurance, below market interest rate mortgages and rental supplements to private owners. These mortgages can now be prepaid, thus fulfilling a 20-year commitment as an affordable housing resource. If prepaid, the rent and use restrictions that accompany the below market financing are eliminated, and the potential exists for loss of low and moderately priced rental stock and displacement of the tenants. During 1997, tenants in five Section 236 developments with 785 units were notified of the owner's intent to prepay mortgages, with resulting rent increases. As of October, 2001, approximately 36 of these

tenants continue to receive Section 8 rental assistance with time-limited certificates or vouchers.

During 1998, project-based Section 8 subsidies ended for 103 units, with 62 households converted to tenant-based Section 8 certificates, while the Section 8 contract was not renewed for 41 units. As of October 2001, there were 4720 remaining federally assisted private, non-profit, and cooperative or homeownership housing units available for low and moderate income residents in thirty-three developments. Of these, 4,190 were rental units and 530 were cooperative or homeownership units. Assistance for these units was provided through the Federal 221(d)(3), 235, 236, 202 or Section 8 New Construction or Moderate Rehabilitation programs, or through the Virginia Housing Development Authority (VHDA). HCD is working with interested housing groups to preserve these units or subsidies to prevent further loss of affordable housing.

One method of preservation is the acquisition of some of these units by the FCRHA. Prior to 1990, one of these developments, Hopkins Glen (91 units), was acquired by the FCRHA. Since 1990, two Section 236 developments, Stonegate (230 units) and Murraygate (196 units), were acquired by the FCRHA, were substantially renovated and are being operated under the Fairfax County Rental Program. The FCRHA, in partnership with Reston Interfaith Housing, acquired Cedar Ridge Apartments (195 units) in 1995 to extend its low income affordability under the Section 221(d)(3) program. This site had been recently renovated.

In addition, the FCRHA has provided tax-exempt bond financing to some of these federally assisted developments, which included 163 project-based Section 8 units. The FCRHA has also provided tax-exempt financing for 3,464 multifamily rental units in occupied developments with no federal or state subsidies. In each project, between 20 to 40 percent of the units are reserved for lower income families. This represents a total of 798 units located in eight projects. Four projects have re-financed after the initial set-aside period. Since 1994, federal tax credits under IRS Section 42, often in conjunction with tax-exempt bond or other financing through VHDA, have been utilized by limited partnerships of private and/or non-profit developers to finance construction of new multifamily developments as

well as the acquisition and rehabilitation of older existing projects. A total of 2,884 units, including 2,289 units of new construction and 595 units of rehabilitation, have been financed in Fairfax County through these programs.

HCD, in conjunction with the FCRHA, develops programs for construction or preservation of low and moderate income housing to meet identified housing needs. This includes both rental housing and a limited component of for-sale housing as well as housing for senior citizens, persons with disabilities, and other special populations. County financial support for the affordable housing acquisition and construction functions of HCD is needed to carry out the goals of the County's Comprehensive Plan, the approved Consolidated Plan, and the FCRHA's adopted Strategic Mission Statement.

County funds to support affordable housing are used to acquire land, units or provide equity capital for housing projects. County appropriations to Fund 340, Housing Assistance Program, pay for expenses such as land acquisition, architectural and engineering fees, utility fees and associated development fees, and other costs of constructing low and moderate income housing, as well as for the purchase and, if needed, rehabilitation of housing under the Fairfax County Rental Programs, or for a supplement to federal funds such as the public housing program. Other sources of County support for FCRHA-assisted housing development and preservation programs are the Housing Trust Fund, County investments in FCRHA securities, the Home Investment Partnerships Program (HOME), and the Community Development Block Grant (CDBG). The County's Housing Trust Fund, which consists of cash proffers for affordable housing received in conjunction with rezonings, County appropriations and CDBG funds, has assisted both FCRHA and private nonprofit developers with loans or grants to produce affordable housing.

The County has adopted an Affordable Dwelling Unit (ADU) ordinance which requires developers of certain housing development of 50 or more units to set aside up to 12.5% of the units as affordable housing in return for additional density. The FCRHA has the right to acquire one-third of the ADU's for sale. The balance will be sold or rented to moderate

income households. County funds will be needed to assist the RHA in purchasing of these units when it is deemed appropriate.

Additionally, bond funding or County appropriations will be required for many developments as well as other projects which are still in the preplanning stage and will not be shown for proposed funding until a later date. This funding is also necessary to the County's "maintenance of effort" in providing low and moderate income housing and thereby insuring continued eligibility for federal Community Development Block Grant funds.

HOUSING DEVELOPMENT PROGRAM GOALS

The primary goals of the Housing Development program are:

- 1) To develop, maintain, and preserve affordable housing and promote equal housing opportunity through the acquisition, renovation, and/or construction of affordable housing units.
- 2) To serve households in the full range incomes needing affordable housing, including families, individuals, physically and mentally disabled, homeless, and elderly.
- 3) To develop affordable housing programs for persons with disabilities, homeless, and elderly which provide or have access to supportive services to facilitate independent living.
- 4) To locate affordable housing as close as possible to employment opportunities, public transportation and community services.
- 5) To promote economically balanced communities by developing affordable housing in all parts of the County.
- 6) To maintain the quality of existing units in the Fairfax County Rental Program as they age in order to promote the stability of the neighborhoods in which they are located.
- 7) To maximize the use of federal, state, non-profit and private sector housing development programs and funding.

- 8) To provide technical assistance to non-profits in developing additional units of permanent affordable housing.

COMPREHENSIVE PLAN GUIDANCE

The Housing Development functional area of the CIP is represented primarily in the Housing element of the Policy Plan. The Human Services element also addresses the need for affordable housing in relation to the housing needs of the homeless, the disabled and the elderly who require supportive services in addition to affordable housing.

The introduction to the Housing element of the Policy Plan recognizes that Fairfax County has some of the highest housing costs in the nation, and housing affordability is a growing problem for an increasing number of residents. The gap in housing affordability can affect the ability of employers, including the County, to attract employees crucial to the health, safety and economic vitality of the community.

The Policy Plan also recognizes the high cost of land, shortage of sites for affordable housing (especially multifamily housing), declining federal support, limited supply of housing for special populations, and need to ensure neighborhood stability as critical housing issues. Revisions to the Comprehensive Plan since its adoption in 1990 have increased the amount of land planned for multi-family residential use, but developers must still seek the appropriate rezoning and include affordable units in a proposed development.

The affordable housing objective set forth in the Policy Plan is a community objective that involves the private, non-profit and public sectors. The Housing Development section of the CIP addresses the portion of that objective which is proposed to be partially funded by the County.

RECENT PROGRAM ACTIVITY

Construction of Phase II of Herndon Harbor House has been completed which includes 60 units of housing for the elderly and an adult day health care center. Founders Ridge, 80 units for sale to moderate

income purchasers developed in conjunction with the Northern Virginia Building Industry Association on a proffered site, has also been completed.

CURRENT PROGRAM SUMMARY

Seven housing development projects, which have been approved by the RHA, have been submitted by HCD for the FY2003-FY2007 CIP period. County funds are requested to partially fund the cost of these projects. Other sources of funding are noted. Projects have a total development cost of \$43.58 million. Funding figures are rounded to the nearest \$1,000.

PROJECT DESCRIPTIONS

1. **Affordable Dwelling Units Acquisition (Countywide).** \$3,000,000 total development cost is estimated for the acquisition of an estimated 28 units made available under either the Affordable Dwelling Unit (ADU) Ordinance or a proffer under which an offer is made to the FCRHA. These units are proposed as purchase options to support first time homeownership programs and to provide the FCRHA with the ability to preserve units which are subject to loss from the affordable housing stock. County funds of \$1,000,000 are requested for the FY2003-FY2007 period. Other sources of grants and low interest funding are being identified for the balance of \$2,000,000.
2. **Affordable Housing Partnership Program.** This is a continuing program under which gap financing and technical assistance are made available to Partnership Participants. An additional \$1,000,000 is requested to continue this program to preserve existing affordable housing, support the development of additional affordable housing and develop capacity in the non-profit community.
3. **Little River Glen II.** \$7,183,000 is the total estimate project cost for the next phase of development to include 60 Assisted Living Units, an adult day care center and a commercial kitchen that will be used by the operator of the assisted living facility to provide food service to both the assisted living and adult day care center. The assisted living facility will be constructed and owned by a

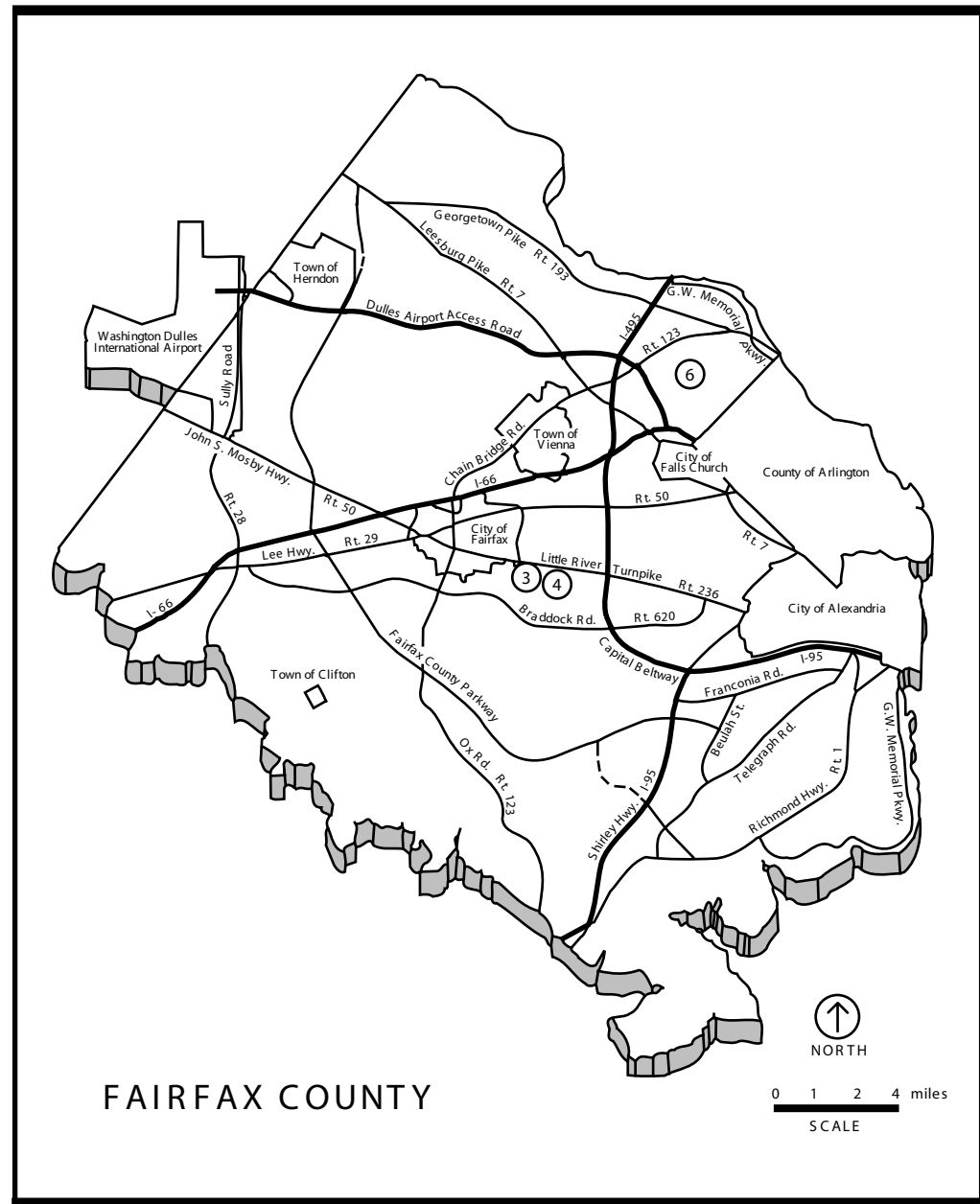
subsidiary limited partnership formed by the Inova and Sunrise Foundations. It will be built on the Little River Glen campus on a portion of the land transferred for this purpose by the FCRHA to its subsidiary limited liability company, Little River Glen LLC. The adult day care and commercial kitchen will be constructed for the FCRHA by the Inova/Sunrise limited partnership on a fixed price, turnkey basis. The adult day care facility will be owned by the FCRHA and leased to Fairfax County. The Fairfax County Health Department will operate the adult day care facility. The total development cost of the adult day care center is estimated at \$2,138,500; the FCRHA will issue tax-exempt bonds to finance its development. The total development cost of the assisted living facility is estimated at \$5,044,500. A tax credit allocation has been received which will produce more than \$3.0 million in investor equity to the project. The Inova/Sunrise limited partnership has proposed to loan the project \$790,500. A loan of \$50,000 in predevelopment funds and \$75,000 in legal expenses are not included in the above referenced total estimated project cost. It is also proposed that the FCRHA will contribute \$558,000 in Housing Trust Funds toward infrastructure costs that will ultimately benefit the third phase of Little River Glen; this amount is also not included in the above referenced total estimated project costs.

4. **Little River Glen III.** \$18,000,000 is the total estimated project cost for Little River Glen III which consists of 150 additional independent living housing for the elderly units. Little River Glen III is in the preliminary planning stages. Acquisition cost for the Little River Glen II and III land was funded with \$1,900,000 in CDBG Section 108 loan funds. Additional funding of \$1,000,000 is requested for the FY2003-2007 CIP period. Other sources of grants and low interest funding will be identified for the balance of the \$15,100,000.
5. **Housing for Disabled Persons.** \$2,500,000 is the estimated total cost for a proposed development of a 12-24-unit building to house persons with physical disabilities. Site and funding have not been identified. County funds of \$50,000 are requested for pre-development funds for the FY2003-FY2007 period.

6. **Lewinsville Expansion.** \$9,000,000 is the estimated total development cost for a development which will consist of up to 60 beds of assisted living, an expanded senior center, and a respite care facility. \$50,000 is available in Housing Trust Funds for this project. County Funding of \$3,000,000 is requested for the FY2003 - FY2007 CIP period. Permanent financing for the expanded senior center and respite care facilities may take the form of FCRHA Lease Revenue Bonds. Other sources of grants and low interest loans will be sought for the balance of \$5,950,000.
7. **Magnet Housing.** \$600,000 is sought to acquire and/or develop a site for a magnet housing project. “Magnet Housing,” somewhat like the idea of a magnet school, would be designed to attract residents who want to participate in a focused living and learning environment. Residents would find affordable, attractive housing inter-mixed with a variety of educational opportunities and located near a sponsoring employer.

Housing Development

- 3. Little River Glen II
- 4. Little River Glen III
- 6. Lewinsville Expansion



**PROJECT COST SUMMARIES
HOUSING DEVELOPMENT
(\$000's)**

PROJECT TITLE/NUMBER (FUNDING SOURCE) /1	TOTAL PROJECT COST	AUTHORIZED/ EXPENDED THRU FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	TOTAL FY2003-FY2007	TOTAL FY2008-FY2012	ADDITIONAL NEEDED /2
1. ADU Acquisition / 003923 (G) (U)	\$1,000 2,000			\$1,000				\$1,000		2,000
2. Affordable Housing Partner. Program (G,U)	3,300	2,300		1,000				1,000		
3. Little River Glen II Adult Day Care (TXB) Assisted Living Facility (X) Infrastructure 4/ (X)	2,139 5,044 558		2,139 5,044 558							60
4. Little River Glen III (G) (F) (U)	1,000 1,900 15,100	1,900		1,000				1,000		15,100
5. Housing for Disabled Persons (G) (U)	50 2,450			50				50		2,450
6. Lewinsville Expansion (G) (U) (HTF)	3,000 5,950 50	50		3,000				3,000		5,950
7. Magnet Housing (G)	600			600				600		
TOTAL	\$43,583	\$4,250	\$7,183	\$6,650				\$13,833		\$25,560

1/ G = general fund, F = federal, X = other, U = undetermined, HTF= Housing Trust Fund, TXB = Tax Exempt Bond.

2/ Identifies the balance of funding being sought and/or has been approved from source(s) outside the County to complete the project.

3/ Project is continuing and prior appropriation is not shown.

4/ It is proposed that the FCRHA will contribute \$558,000 in Housing Trust Funds toward infrastrucutre costs. This amount is not included in the total estimated project cost.

NOTE: All non-county funding is not committed. Funding will be obtained from federal and state housing programs, grants, tax exempt bonds, tax credits and private financing. Operating costs will be paid out of rental income.